

June 27, 2002

Governor Judy Martz
State Capitol Building
Helena, MT 59620

RE: Budget Deficit Certification

Dear Governor Martz:

In accordance with substantive law, I am certifying to you that the projected fiscal year end 2003 general fund deficit will be \$32.4 million based on all known and reasonably anticipated revenues and expenditures through June 6, 2002.

Using the May-June revenue projections, we initiated compliance with the statutory requirements of 17-7-140, MCA, by preparing and distributing preliminary reduction recommendations and notifying both the Legislative Finance Analyst and the Revenue and Transportation Interim Committee. Both the Legislative Finance Committee and the RTIC reviewed our budget reduction recommendations and provided input. The OBPP also considered additional information from state agencies and feedback from other legislators, constituent groups and the general public.

Substantive law requires that "reductions in spending must be designed to have the least adverse impact on the provision of services determined to be most integral to the discharge of the agency's statutory responsibilities." My office has worked diligently with the agencies to identify as many reductions as possible with the least severe impacts. The general fund reductions are not equal by percentage from agency to agency because some agencies have greater opportunity for fund switches, grants and contracts not yet signed for FY 2003 and other measures that do not cut directly services to Montana residents. Nonetheless, very hard choices are being made to restore the required ending fund balance.

The report on reductions pursuant to 17-7-140 contains our final analysis and best judgment regarding how to deal with this FY 2003 revenue shortfall in a resolute and fair manner. These recommendations are designed to enable you to reach informed conclusions for implementation of the FY 2003 expenditure reductions this month. The report is divided into two primary recommendations:

1. Budget reductions that total \$ 23.25 million general fund effective July 1, 2002, and
2. Fund transfers of \$14.60 million for which I have letters of commitment and bill drafts approved in concept by the respective Interim Legislative Committees, but

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most of which will not be completed until after passage and approval of these bills by the next Legislative Assembly.

I have continued to monitor and analyze revenues. Revenues have declined by \$45 million from the June 6 report. From among the available options to address our constitutional and statutory responsibilities, I believe you could either start this process over again or call a Special Session of the Legislature to address this further decline in revenue.

My staff and I stand ready to assist you in this difficult endeavor.

Sincerely,

Chuck Swysgood
Budget Director

Attachment